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## SECTION II - READINESS

Our battle force ships, aviation units and Marine forces provide the foundation for the National Military Strategy of shaping the international environment and responding to the full spectrum of crises. Our budget provides for operational levels which will maintain the high personnel and unit readiness necessary to conduct the full spectrum of joint military activities. The success of our Fleet in the war against terrorism attests to progress made in current readiness.

*One Team,  
One Fight*



The role of the Navy and Marine Corps on the world stage is evident throughout the budget. From contributions to multilateral operations under United Nations/NATO auspices to cooperative agreements with allied Navies, international engagement efforts cross the entire spectrum of the Department's missions and activities. Naval requirements are often met through participation with allies and other foreign countries, in joint exercises, port visits, and exchange programs. Joint/international exercises planned for FY 2003 include: Tandem Thrust, Freedom Banner and RIMPAC.

*Shape the  
international  
environment ...*

Operational activities include drug interdiction, joint maneuvers, multinational training exercises, humanitarian assistance (including natural disaster, medical, salvage, and search and rescue) and when called upon, contingency operations such as in the Arabian Gulf, the Balkans and now underway in Afghanistan/the Northern Arabian Sea as part of Operation Enduring Freedom. On any given day, nearly 44,000 Sailors and Marines on nearly 90 ships are deployed to locations around the world.

## Chart 3a - Navy Forces Today

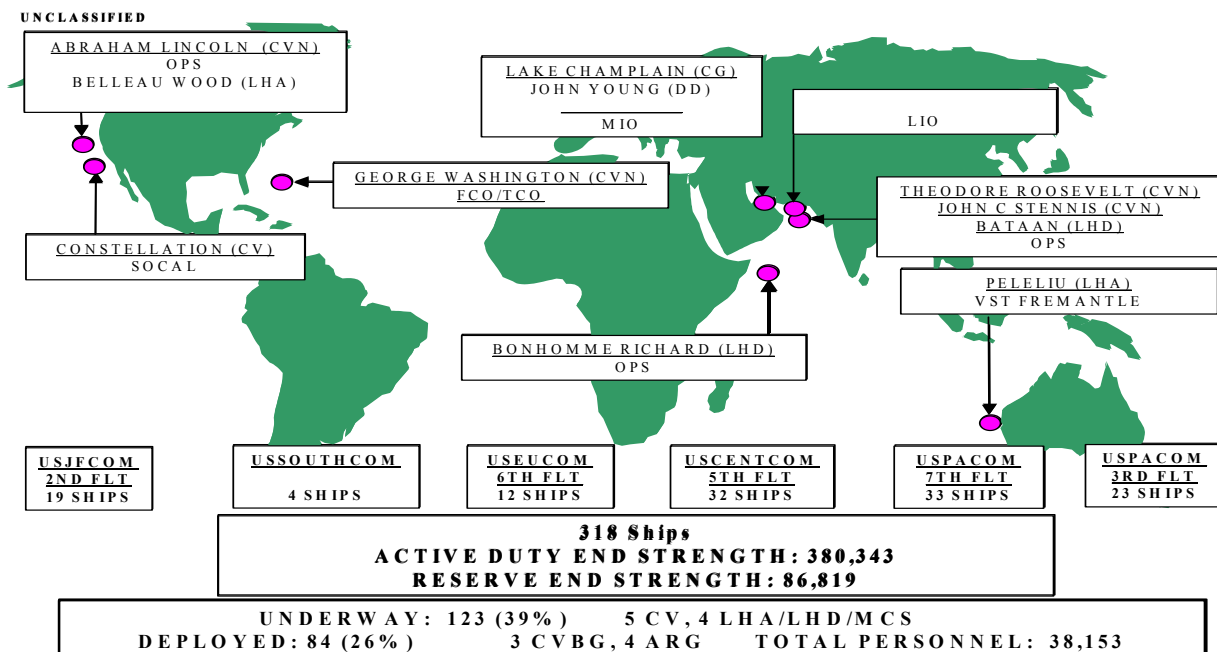


Chart 3a – Reflects Navy’s forward presence as of 31 January 2002.

## Chart 3b – Marine Corps Forces Today

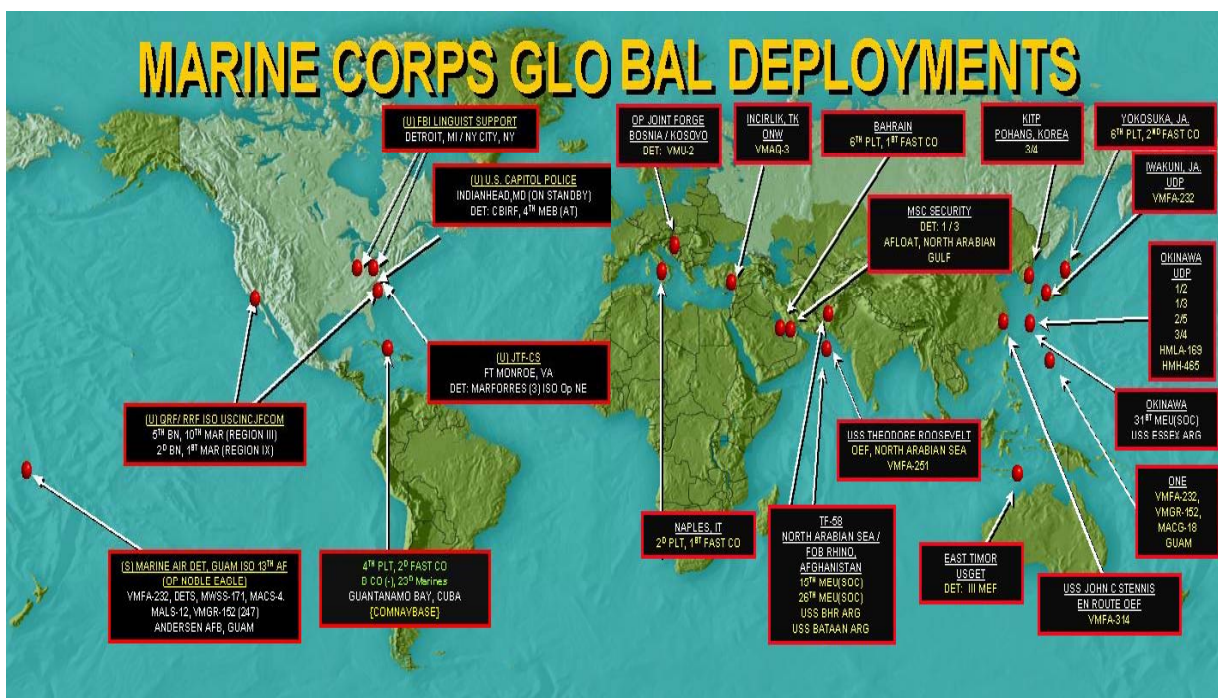


Chart 3b – Reflects Marine Corps’ forward presence as of January 2002.

## SHIP OPERATIONS

### Battle Force Ships

*... Appropriately  
sized forces*

The budget provides for a deployable Battle Force of 308 ships for FY 2003. This level will support 12 aircraft carrier battle groups and 12 amphibious ready groups.



In FY 2003, three Arleigh Burke class guided missile destroyers and one Nimitz class aircraft carrier will be commissioned and 11 ships will be inactivated. This reflects the accelerated decommissioning of six destroyers and the inactivation of one conventional aircraft carrier, one landing ship dock, one Reserve amphibious tank landing ship, one Reserve Mine

Countermeasures ship and one Military Sealift Command ammunition ship. Three frigates will be transferred to the Naval Reserve Forces for Homeland Defense within the overall ship count. To sustain the current level of operational commitments with a declining force, the Department is using that force at a much higher tempo than that for which it was designed. The strain this places on the battle force is reflected in higher ship maintenance costs, while the strain on personnel is manifested in a more difficult retention climate.

Table 4 summarizes Active and Reserve Battle Force ship levels.

**Table 4**

#### *Department of the Navy Battle Force Ships*

	FY 2001	FY 2002	FY 2003
Aircraft Carriers	12	12	12
Fleet Ballistic Missile Submarines	18	18	18
Surface Combatants	116	116	113
Nuclear Attack Submarines	55	54	54
Amphibious Warfare Ships	39	39	37
Combat Logistics Ships	34	34	33
Mine Warfare Ships	17	17	16
Support Ships	25	25	25
<b>Battle Force Ships</b>	<b>316</b>	<b>315</b>	<b>308</b>

## OPTEMPO

### Active Forces

For FY 2003, deployed ship operations are budgeted to maintain highly ready forces, prepared to operate jointly to perform the full-spectrum of military activities, and to meet forward deployed operational requirements and overseas presence commitments in support of the National Military Strategy. The budget provides funds necessary to achieve the Department's operational tempo (OPTEMPO) goal of 54.0 underway days per quarter for deployed forces which includes 3.5 underway days per quarter to support Southwest Asia, Bosnia, and Kosovo operations and 28 underway days per quarter for non-deployed forces. The funding level supports the Global Naval Forces Presence Plan (GNFPP) in terms of carrier battle group (CVBG) and amphibious ready group (ARG) requirements, as required by national security policy. Costs for continued operations in the North Arabian Sea currently being funded through the Defense Emergency Response Fund, are not included in the DoN budget for FY 2003.



Non-deployed OPTEMPO provides primarily for the training of Fleet units when not deployed, including participation in individual unit training exercises, multi-unit exercises, joint exercises, refresher training, and various other training exercises. Non-deployed Fleet OPTEMPO levels are considered the minimum required for maintaining a combat ready and rapidly deployable force.

**Chart 4 - Active Force OPTEMPO**

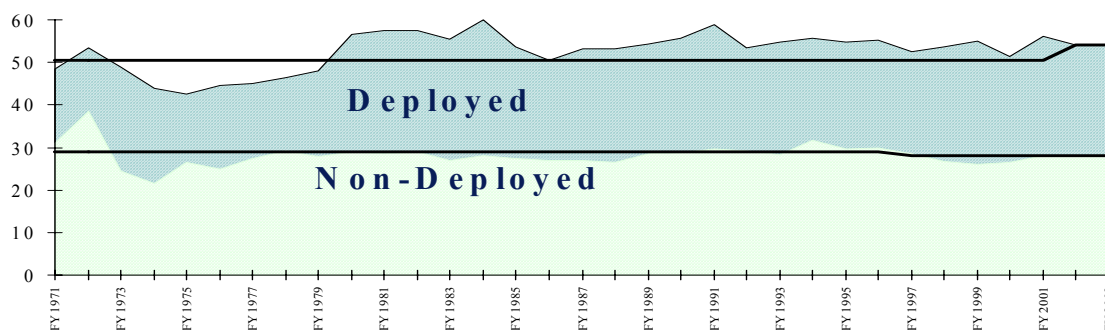


Chart 4 illustrates historical and budgeted OPTEMPO. The horizontal lines are the deployed and non-deployed budgeted goals. Fluctuations from the goals reflect real world operations including contingency operations funded through the DOD Overseas Contingency Operations Transfer Fund (OCOTF), which beginning in FY 2002 is included to the Department's Budget.



## *Reserve Forces*



The Naval Reserve Force continues to actively augment and support the active force while achieving personnel tempo goals. In FY 2003, the Naval Reserve will consist of 16 Battle Force ships with 11 FFGs, and 5 MCMs. During FY 2003, 3 FFGs coming from the active fleet will augment the reserve forces providing additional assets for Home Land Defense.

Table 5 reflects Reserve battle force ships and, where appropriate, both non-deployed and deployed steaming days due to operational requirements. The increase in the OPTEMPO goal for non-deployed forces is a result of increasing operational readiness for reserve forces.

**Table 5**

### *Department of the Navy*

#### *Significant Naval Reserve Force Factors*

	FY 2001	FY 2002	FY 2003
Surface Combatants	8	8	11
Amphibious Ships	1	1	0
Support/Mine Warfare	6	6	5
<b>Reserve Battle Force Ships*</b>	<b>15</b>	<b>15</b>	<b>16</b>

#### Steaming Days Per Quarter

##### Mine Warfare

##### Deployed

##### Non-deployed

##### FFGs/LST

50.5	50.5	50.5
24	24	28
18	18	18

\* Also included in Table 3

## Mobilization

Mobilization forces provide rapid response to unforeseen contingencies throughout the world. Sealift assets include prepositioning and surge ships. Operating costs of prepositioning ships and exercise costs for surge ships are reimbursed to the National Defense Sealift Fund (NDSF) by the operations account of the requiring Defense component, as parenthetically noted in Table 5. DoN O&M appropriations reimburse the biennial exercise costs of the Hospital Ships (T-AH) and the Aviation Maintenance Ships (T-AVB), and will continue to fund the daily operating costs of the Maritime Prepositioning Ships (MPS). Each of the three MPS squadrons supports a Marine Expeditionary Brigade for 30 days. FY 2003 levels include an increase of one additional Large Medium-Speed Roll On-Roll-Off (LMS RORO) ship .



Table 6 displays the composition of Navy mobilization forces.

**Table 6**

### *Department of the Navy*

### *Mobilization*

### *Strategic Sealift (# of ships)*

	FY 2001	FY 2002	FY 2003
<b><u>Prepositioning Ships:</u></b>			
Maritime Prepo Ships (Navy O&M)	13	13	13
Maritime Prepo (Enhanced) (Navy O&M)	2	3	3
CENTCOM Ammo Prepo (Navy O&M)	1	1	1
Army Prepo Ships (Army O&M)	15	15	15
Air Force Prepo Ships (Air Force O&M)	3	3	3
DLA Prepo Ships (DWCF)	3	3	3
<b><u>Surge Ships:</u></b>			
Aviation Logistics Support (NDSF)	2	2	2
Hospital Ships (NDSF)	2	2	2
Fast Sealift Ships (NDSF)	8	8	8
Ready Reserve Force Ships (NDSF)	76	76	76
Large Medium-Speed RORO Ships (NDSF)	12	14	15
Prepositioning Capacity (millions of square feet)	3.9	4.4	4.4
Surge Capacity (millions of square feet)	8.9	9.6	9.6
Total Sealift Capacity (millions of square feet)	12.8	14.0	14.0

## Ship Depot Maintenance

The Department's active ship depot maintenance budget supports 95.5% of the notional O&M requirement and 100% of the SCN refueling overhaul requirement in FY 2003. With the decline in battle force ships, the stress of maintaining current OPTEMPO on an aging force averaging 17 years in FY 2003 is evident in increasing

depot maintenance requirements. For example, as reflected in chart 6, in 1993 we had 108 ships forward deployed, or 24% of our 458 ship battle force. In FY 2003, we will have 87 ships forward deployed, or 28% of our 308 ship battle force. This high utilization, along with aging assets, results in depot maintenance availabilities that are increasingly exceeding notional costs.

### Chart 6 – Deployment Trends

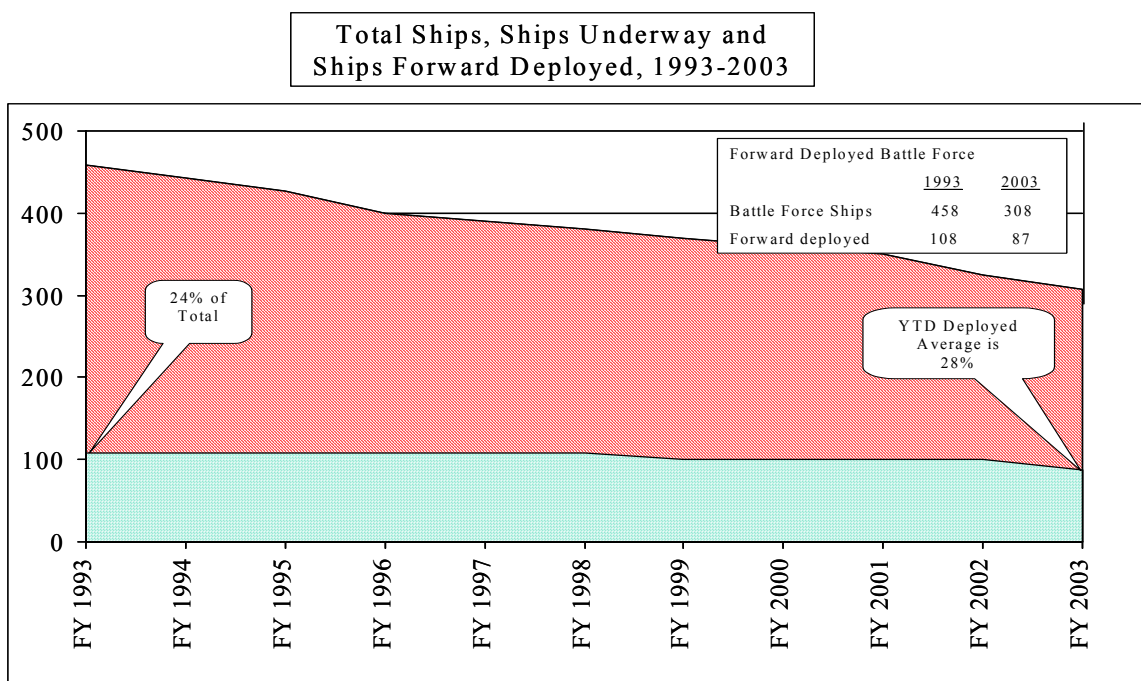


Chart 6 - summarizes deployment trends since FY 1993.

In FY 2003, the Department continues to implement initiatives designed to reduce outyear maintenance costs and reduce maintenance burdens on Fleet personnel (e.g., wear resistant paint, water tight doors, well deck preservation).

The entire FY 2002 and FY 2003 ship maintenance amounts are executable. As the execution year progresses, the workload can fluctuate, impacted by factors such as growth in scope and new work on maintenance availabilities, changes in private shipyard daily rates, and shipyard capacity.



The Department's reserve ship depot maintenance budget supports 95% of the notional requirement in FY 2003 which meets the Department's goal. As with the active counterparts, the Department is implementing the same initiatives to reduce maintenance burdens and costs on Naval Reserve Force ships. Table 7 displays active and reserve ship depot maintenance.

**Table 7**

***Department of the Navy***

***Active Forces Ship Depot Maintenance***

*(Dollars in Millions)*

	FY 2001	FY 2002	FY 2003
Ship Depot Maintenance*	\$2,561	\$2,915	\$3,536
Depot Operations Support	1,258	1,314	1,325
<b>Total: Ship Maintenance (O&amp;MN)</b>	<b>\$3,819</b>	<b>\$4,229</b>	<b>\$4,861</b>
Percentage of Requirement Funded	88.6%	89.3%	95.5%
CVN Overhauls (SCN)	\$782	\$1,222	\$297
SSN Refueling Overhauls (SCN)	\$291	\$529	\$360
% of SCN Requirement Funded	100%	100%	100%
Annual Deferred Maintenance	\$356	\$377	\$164
<b>Reserve Ship Depot Maintenance</b>			
<i>(Dollars in Millions)</i>			
	FY 2001	FY 2002	FY 2003
Reserve Ship Depot Maintenance	\$65	\$71	\$80
Depot Operations Support	2	2	4
<b>Total: Ship Maintenance (O&amp;MNR)</b>	<b>\$67</b>	<b>\$73</b>	<b>\$84</b>
<b>Percentage of Requirement Funded</b>	<b>100%</b>	<b>92%</b>	<b>95%</b>

\*Includes Pearl Harbor shipyard /IMA reflected in Depot Ops support in previous budget



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## AIR OPERATIONS

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### *Active Tactical Air Forces*

This budget provides for the operation, maintenance and training of ten active Navy carrier air wings and three Marine Corps air wings. Navy



aviation is divided into three primary mission areas: Tactical Air/Anti-Submarine Warfare (TACAIR/ASW), Fleet Air Support (FAS), and Fleet Air Training (FAT). Tactical air squadrons conduct strike operations, provide flexibility in dealing with a wide range of threats identified in the National Military Strategy, and provide long range and local protection against airborne and surface threats. Anti-Submarine Warfare squadrons locate,

destroy and provide force protection against sub-surface threats, and conduct maritime surveillance operations. Fleet Air Support squadrons provide vital fleet logistics and intelligence support. In Fleet Air Training, the Fleet Readiness Squadrons (FRS) provide the necessary training to allow pilots to become proficient with their specific type of aircraft and transition to fleet operations.



The total number of aircraft decreases in FY 2003. This reflects the accelerated decommissioning of F-14s and the reduction of S-3 Primary Authorized Aircraft (PAA) from eight to six per squadron.

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### *Reserve Air Forces*

Reserve aviation continues to provide vital support to the Nation and to the active force in FY 2003. The Reserves support all of the Department's adversary and overseas logistics requirements and a portion of the electronic training and counter-narcotics missions. The Navy Reserve also provides support to the active force through participation in various exercises and mine warfare missions. These varied missions demonstrate the Department's commitment to fully employ the Total Force Concept. An increase in the FY 2003 budget results from the full integration of an enhanced air undersea warfare capability with additional SH-60B aircraft, and also reflects an increase in logistics mission flight hours for the new C-40A "Clipper" aircraft.

Table 8 reflects active and reserve aircraft force structure.

**Table 8**

**Department of the Navy**

**Aircraft Force Structure**

	FY 2001	FY 2002	FY 2003
<b><u>Active Forces</u></b>	<b>18</b>	<b>18</b>	<b>18</b>
Navy Carrier Air Wings	10	10	10
Marine Air Wings	3	3	3
Patrol Wings	3	3	3
Helicopter Anti-Submarine Light Wings	2	2	2
<b><u>Reserve Forces</u></b>	<b>5</b>	<b>5</b>	<b>5</b>
Tactical Air Wings (Navy)	1	1	1
Patrol/ASW Air Wings	1	1	1
Helicopter Air Wing	1	1	1
Logistics Air Wing	1	1	1
Marine Air Wing	1	1	1
 <b><u>Primary Authorized Aircraft - Active 1/</u></b>	 <b>2,492</b>	 <b>2,480</b>	 <b>2,438</b>
Navy	1,471	1,460	1,424
Marine Corps	1,021	1,020	1,014
1/ Does not include trainer or TACAMO aircraft.			
 <b><u>Primary Authorized Aircraft - Reserve</u></b>	 <b>407</b>	 <b>407</b>	 <b>408</b>
Navy	222	221	222
Marine Corps	185	186	186

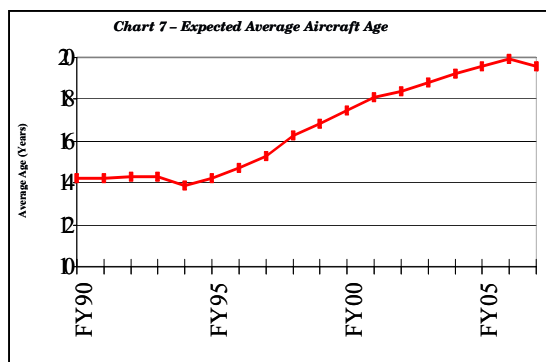
## Aircraft OPTEMPO

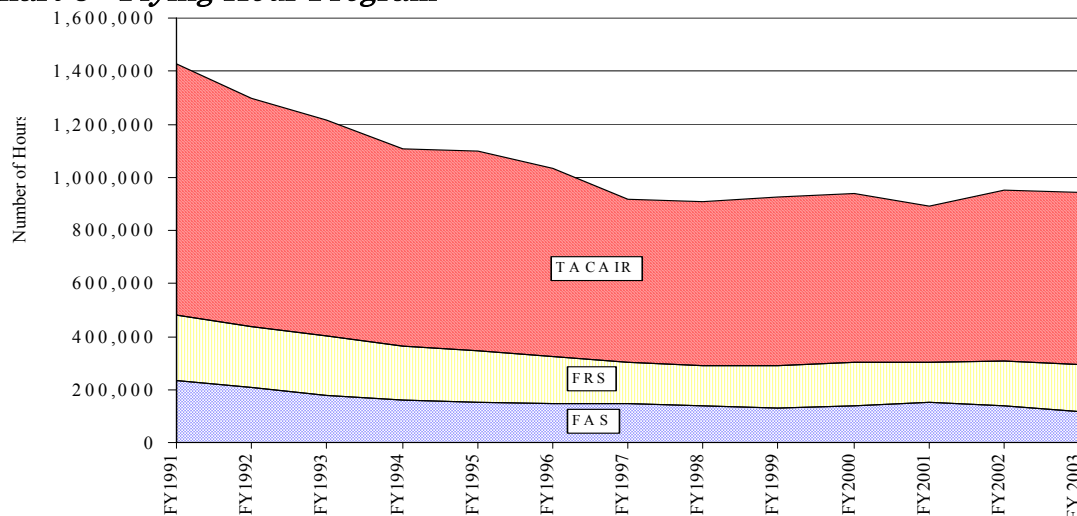


In FY 2003, the Department will begin measuring aviation readiness in terms of Status of Resources and Training System (SORTS) ratings vice Primary Mission Readiness (PMR). To provide adequately trained aircrews, Carrier Airwings (CVWs) need to attain an average T-rating (the training component of SORTS) of T-1.75 throughout the Inter-Deployment Training Cycle (IDTC). This level of training will allow CVWs to reach a training level of T-1.0 just prior to deployment, and maintain that readiness level while deployed. TACAIR/ASW funded hours will now be defined as a percentage of the specified hours required to support goals. This requirement encompasses not only training, but operational, maintenance and support hours as well. Costs for continued operations in the North Arabian Sea are not included in the DoN budget for FY 2003.



The Flying Hour Program has been priced using the FY 2000 and FY 2001 cost per hour experience, including a higher cost for repair part pricing and usage. This repricing, which adds significantly to the cost per flying hour, is a manifestation of the Department's aging aircraft inventory, which requires more maintenance per hour and is experiencing increasing failure rates on major components. The FY 2003 budget represents a new method to forecast Aviation Depot Level Reparable (AVDLR) cost per hour based on analysis done by the Center for Naval Analysis (CNA). CNA studied AVDLR demand data from FY 1992 to FY 1999, and through analyses of hours flown and aircraft age, determined that AVDLR growth could be reforecasted based on specific demand rates ranging from 3% to 34% per year. The resulting increase in cost per hour in FY 2003 is significant.



**Chart 8 - Flying Hour Program**

Consistent with recent execution experience, Fleet Readiness Squadrons operations are budgeted at 92% of the requirement to enable pilots to complete the training syllabus. Student levels are established by authorized TACAIR/ASW force level requirements, aircrew personnel rotation rates and student output from the Undergraduate Pilot/Naval Flight Officer training program. Fleet Air Support requirements correlate with TACAIR operational requirements. Similar to the Active Forces, Naval Reserve is budgeted at 87% PMR in FY 2002, and 97% of the specified hours to support adequately trained aircrews in FY 2003. Chart 8 displays historical flying hours.

Table 9 displays active and reserve flying hour readiness indicators.

**Table 9**  
**Department of the Navy**  
**Flying Hour Program**

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
<b>Active</b>			
TACAIR (%) 1/ 2/	80%	83%	89%
Goal 1/ 2/	83%	83%	89%
Fleet Readiness Squadrons (%)	86%	92%	92%
Goal	92%	92%	92%
Fleet Air Support (%)	81%	83%	86%
Goal	83%	83%	86%
Monthly Flying Hours per Crew (USN & USMC)	21.4	22.8	21.5
1/ PMR in FY 2001 and 2002, % requirement in FY 2003;			
2/ Includes 2% simulator contribution in FY 2001 and FY 2002			
<b>Reserve</b>			
Reserves (%) 1/ 2/	87%	87%	97%
Goal 1/ 2/	87%	87%	97%
Monthly Flying Hours per Crew (USNR & USMCR)	11	11	11

1/ PMR in FY 2001 and 2002, % requirement in FY 2003

2/ Includes .25% simulator contribution in FY 2001 and FY 2002 for reserves

## *Aircraft Depot Maintenance*

The Active and Reserve aircraft depot maintenance programs fund major repair and overhauls, within available capacity, to ensure that a sufficient quantity of aircraft are available to operational units. The readiness-based model used to determine airframe and engine maintenance requirements is



based on squadron inventory authorization necessary to execute assigned Active and Reserve missions. The goal of the airframe rework program is to provide enough airframes to meet 100% Primary Authorized Aircraft (PAA) for deployed squadrons and 90% PAA for non-deployed squadrons. The engine rework program objective is to return depot-repairable engines/modules to Ready-for-Issue (RFI) status to obtain both zero net bare firewalls and fill 90% of the Type Model Series (TMS) RFI engine spares pools. Other Depot Maintenance refers to the depot level repair of aeronautical components for the aircraft systems and

equipment under direct Contractor Logistics Support (CLS).

The Department's budget for Fiscal Year 2003 is sufficient to achieve the Active and Reserve Engine and Airframe readiness goals for deployed and non-deployed squadrons. This will result in deployed squadrons having sufficient aircraft to meet inter-deployment training cycle requirements and mission capable status prior to and during deployment. Non-deployed squadrons will also have sufficient aircraft to satisfy post deployment readiness requirements. Post deployment readiness requirements are necessary to ensure an adequate supply of airframes and engines are available to support squadron and air wing training exercises. These exercises include both inter-service air-to-air and air-to-ground tactical and missile firing training events.

To support a wide range of Fleet operations and training, the Navy has targeted a 73% aircraft Mission Capable (MC) rate and a 56% Full Mission Capable (FMC) rate. This reflects both deployed and non-deployed operational aircraft trends.

Percent Navy Aircraft Mission Capable/Fully Mission Capable (MC/FMC)				
	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>Goal</u>
MC Aircraft	66	73	73	73
FMC Aircraft	53	56	56	56



Tables 10a and 10b summarize Active and Reserve Aircraft Depot Maintenance.

**Table 10a****Department of the Navy****Active Forces Aircraft Depot Maintenance***(Dollars in Millions)*

	<u>FY 2001</u>	<u>% at Goal*</u>	<u>FY 2002</u>	<u>% at Goal*</u>	<u>FY 2003</u>	<u>% at Goal*</u>
Airframes	\$462		\$494		\$464	
Engines	247		302		278	
Components	49		42		43	
<b>Total: Active Aircraft Depot Maintenance</b>	<b>\$758</b>		<b>\$838</b>		<b>\$785</b>	

**Airframes**

Deployed Squadrons meeting goal of 100% PAA	161	100%	158	100%	155	100%
Non-Deployed Squadrons meeting goal of 90% PAA	181	100%	179	100%	193	100%

**Engines**

Engine TMS meeting Zero Bare Firewall goal of 90% PAA	67	100%	67	100%	71	100%
Engines TMS meeting RFI Spares goal of 90% PAA	67	100%	67	100%	71	100%

**Components: Other - Depot Maintenance**

Funded Requirements	49		42		43	
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**Table 10b****Reserve Forces Aircraft Depot Maintenance***(Dollars in Millions)*

	<u>FY 2001</u>	<u>% at Goal*</u>	<u>FY 2002</u>	<u>% at Goal*</u>	<u>FY 2003</u>	<u>% at Goal*</u>
Airframes	\$68		\$82		\$93	
Engines	34		33		37	
Components	0		0		0	
<b>Total : Reserve Aircraft Depot Maintenance</b>	<b>\$102</b>		<b>\$115</b>		<b>\$130</b>	

**Airframes**

Non-Deployed Squadrons meeting goal of 90% PAA	69	100%	67	100%	72	100%
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**Engines**

Engine TMS meeting Zero Bare Firewall goal of 90% PAA	37	100%	37	100%	40	100%
Engine TMS meeting RFI spares goal of 90% PAA	37	100%	37	100%	40	100%

**Components: Other-Depot Maintenance**

Funded Requirements	N/A		N/A		N/A	
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\* All deployed and non-deployed squadrons meet goal.

**Also refer to Appendix A for more information:**

Operation and Maintenance, Navy

Operation and Maintenance, Navy Reserve

**Table**

A-5

A-7

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## MARINE CORPS OPERATIONS

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### *Marine Corps Active Operations*

This budget supports the Marine Corps Operating Forces comprised of three active Marine Expeditionary Forces (MEF). Each MEF consists of a headquarters command element, one ground division, one airwing, and one force service support group.



MEFs provide highly trained forces that are fully prepared to execute their charter as a versatile expeditionary force in readiness, capable of rapid response to global contingencies. The inherent flexibility of the MEF organization, combined with our Maritime Prepositioned Force (MPF) assets, allows for the rapid deployment of appropriately sized and equipped forces.

These forces possess the requisite firepower and mobility needed to achieve success across the full operational spectrum in either joint or independent operations.

Marines established the first conventional ground forces presence in Afghanistan. Elements of two Marine Expeditionary Units (MEUs) moved from their ships – using organic Marine and Navy lift – to create a tailored Marine Expeditionary Brigade (MEB) ashore. Light, agile and self-sustained, Marines established security in a hostile environment and assured access for follow-on forces.

This budget includes funding for the addition of the 4th Marine Expeditionary Brigade (MEB) to deter, detect, defend, and conduct initial incident response to combat the threat of worldwide terrorism. The budget also includes funding for an increased readiness posture for Marine Operating Forces. It continues the fielding of improved combat equipment and clothing for the individual Marine. This budget supports requirements for recruit training, initial skill training, and follow-on training courses, provides for a martial arts program that provides combat skills for all members, and supports continued success in meeting recruit accession goals. This budget also continues Distance Learning program efforts to reduce the training pipeline, thereby increasing manning levels in the Operating Forces.

Table 11 displays Marine Corps land forces.

**Table 11****Department of the Navy  
Marine Corps Land Forces**

	FY 2001	FY 2002	FY 2003
Number of Marine Expeditionary Forces	3	3	3
Number of Marine Expeditionary Brigades	3	4	4
Number of Battalions	70	70	71

***Marine Corps Reserve Operations***

This budget supports a Marine Reserve Force that includes the Fourth Marine Division, the Fourth Marine Aircraft Wing, the Fourth Force Service Support Group, and the Marine Corps Reserve Support Command. The Department's FY 2003 budget ensures that the readiness of the Reserve Force will be maintained by providing increased funding for the



maintenance of aging equipment and also for the purchase of critical field medical supplies through the Initial Issue program. The budget also includes additional funding for a martial arts program that provides combat skills training for all members, and increased funding for depot maintenance.

**Also refer to Appendix A for more information:**

Operation and Maintenance, Marine Corps

Operation and Maintenance, Marine Corps Reserve

**Table**

A-6

A-8

***PEOPLE***

Trained and adequately compensated manpower is the most important resource in our readiness equation. America's naval forces are combat-ready largely due to the dedication and motivation of individual Sailors, Marines, and civilians. The development and retention of quality people are vital to our continued success and are among our biggest challenges as the Department

... maintain highly  
skilled and  
motivated people

continues to face  
fierce competition  
from the private  
sector for the best



and the brightest young Americans.

Meeting these challenges is essential to long-term effectiveness, and the

Department is focusing on three fronts: recruiting the right people, retaining the right people, and reducing attrition. We continue to dedicate resources to those programs best suited to ensuring the proper combination of grade, skill and experience in the force. The price of a highly-skilled, all-volunteer force in today's environment is increasing.

Military Personnel budget estimates include a 4.1% pay raise for all pay grades in FY 2003. In addition, estimates include a targeted pay raise effective 1 January 2003 for mid-grade non-commissioned officers (NCOs) and some officers ranging from an additional 0.9% to 2.7% to improve the competitiveness of military pay with private sector pay. Recognizing that fixing pay alone is not sufficient, we continue to explore other avenues to get more Sailors and Marines to the reenlistment decision point, motivating them to remain for a career. For example, basic allowance for housing (BAH) programs have been funded to effect the transition to market-based rates, to fund anticipated future housing rate increases and to reduce out-of-pocket expenses to 7.5% in FY 2003 and to eliminate them by FY 2005. Improvements to recruiting and retention incentive programs, as well as positive changes to permanent change of station and other manpower policies, have been funded in an attempt to remove job dissatisfiers and demonstrate the Department's ongoing commitment to Sailors, Marines and their families.

Finally, beginning in FY 2003, the Military Personnel budget estimates include funding for accrual payments into the Department of Defense Medicare-Eligible Retiree Health Care Fund established by the FY 2001 National Defense Authorization Act. Payments to the fund from the Military Departments are based on DOD Board of Actuaries amortized estimates of the present value of future benefits payable to retired personnel and dependents attributed to service performed after September 30, 2002.

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## Navy

This budget reflects positive steps to address manning challenges through expanded enlistment and reenlistment bonuses, enhanced special and incentive pays and increased advancement opportunity. Better than anticipated manning in FY 2001, the result of long sought after improvements in recruiting and retention, helped reduce at-sea billet gaps, and allowed the Navy to begin to fulfill increased requirements in

*People are our most  
important and  
valuable resource*

areas such as anti-terrorism/force protection, aviation maintenance due to aging airframes, and environmental billets at sea to properly handle plastic and hazardous waste products. However,

Recruiter Productivity (active and reserve)			
	<u>FY2001</u>	<u>FY2002</u>	<u>FY 2003</u>
# of Recruiters	5,000	5,000	5,000
# of Recruits	53,690	53,000	50,101
# of Recruits per Recruiter	11	11	10

increased manning requirements make the challenge even more difficult, and the proper funding of targeted incentives to ensure success in that war even more critical. To sustain our success in accessing quality people, our budget sustains a recruiter force of 5,000, healthy enlistment bonus and college fund programs, and continued support of a number of “Smart Recruiter” initiatives, such as an expanded Blue Jacket Hometown Assistance Recruiting Program (HARP), to ensure success in meeting the accession mission. We also sustain our recruiting investment to enhance our Delayed Entry Program (DEP) levels. A healthy DEP helps us achieve maximum efficiency in the training pipeline through advanced planning and reduces attrition from recruit training by giving the recruits time to learn about the Navy and prepare for boot camp.

The value placed on our Sailors and the significance placed on the need to motivate them to “stay Navy” is the cornerstone to achieving and sustaining optimum personnel readiness. Navy is postured to keep the retention momentum recently experienced going in FY 2003 by funding an enhanced Career Sea Pay (CSP) program and maintaining a robust Selective Reenlistment Bonus (SRB) program. The enhanced CSP program not only increases the current rates by roughly 40% to restore the incentive value lost since the last increase in FY 1988, but also expands eligibility to all Sailors at sea. The Distribution SRB pilot program started in FY 2002 has also been funded, the intent of which is to pay differentially higher SRB payments to members willing to reenlist for orders to particular types of duty. To preserve advancement opportunity as more senior personnel are retained, our budget accommodates a 1.0% increase to Top 6 inventory in FY 2003.

To address intangibles such as job satisfaction, ongoing professional growth, training and education that affect retention and attrition levels, the Navy continues to place great emphasis on the Center for Career Development, a division of the Navy’s manpower and personnel directorate specifically chartered to provide information concerning the career decision process to career counselors, Command Retention Teams and Sailors and their families.

This budget also requests funding for approved Unified Legislation and Budgeting (ULB) initiatives such as Distribution Incentive Pay which provides a market based incentive to encourage volunteers for difficult to fill assignments and Multiple Basic Allowance for Subsistence (BAS) rates to establish a higher BAS II rate for members living in single government housing without adequate food cooking and storage facilities and no access to a dining facility.

Chart 9 and Table 12 provide summary personnel end strength data for Active Military Personnel.



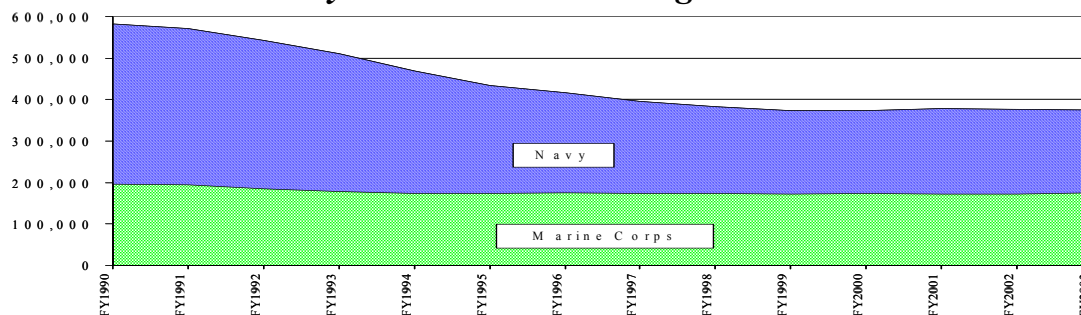
**Chart 9 – Active Military Personnel End Strength**

Chart 9 Graphically displays Military Personnel downsizing through FY 2003.

**Table 12****Department of the Navy****Active Navy Personnel**

	FY 2001	FY 2002	FY 2003
Officers	53,908	53,741	53,866
Enlisted	319,601	318,259	317,834
Midshipmen	4,301	4,000	4,000
<b>Total: End Strength</b>	<b>377,810</b>	<b>376,000</b>	<b>375,700</b>
Enlisted Accessions	53,690	53,000	50,101
Percent High School Diploma Graduates	90%	92%	92%
Percent above average AFQT	62%	62%	62%

Enlisted Reenlistment Rates				
	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>Steady State Goal</u>
Zone A (<6 years)	56.9%	55.5%	53.7%	57.0%
Zone B (6+ to 10 years)	68.2%	67.9%	66.7%	70.0%
Zone C (10+ to 14 years)	84.2%	83.8%	82.3%	90.0%

Enlisted Attrition			
	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Zone A (<6 years)	10.7%	10.3%	10.1%
Zone B (6+ to 10 years)	1.9%	1.8%	1.8%
Zone C (10+ to 14 years)	.9%	.9%	.8%

## Navy Reserve

This budget supports Navy Reserve end strength of 87,800 in FY 2003, providing pay and allowances for drilling Navy Reserve and Full Time Support personnel. To sustain an increased security posture, the budget reflects increased manning levels and funding in FY 2003 for anti-terrorism/force protection (AT/FP) and Mobile Inshore Undersea Warfare Units (MIUWU).

The Navy Reserve continues to experience recruiting and retention challenges focused predominately in the enlisted drilling Reserve population. The budget reflects positive steps to address these manning challenges through an increased number of recruiters, reenlistment bonuses and enhanced special and incentive pays. Additionally, the Reserve Selected Conversion of Rating (RESCORE) and non-prior service programs continue to be priorities for force shaping and enlistment.

This budget maintains the enlisted Annual Training (AT) participation rate at 90% and reflects the funding necessary to accommodate an average AT tour length of 15 days, for both officers and enlisted. Similar to active personnel, funding is also included for approved Unified Legislation and Budgeting initiatives such as Distribution Incentive Pay and Multiple Basic Allowance for Subsistence (BAS) rates. Furthermore, the Navy Reserve is funded for an enhanced Career Sea Pay (CSP) program that not only increases the current rates approximately 40%, but also expands eligibility to all Sailors at sea.

Chart 10 and Table 13 provide end strength data for Reserve Personnel.

**Chart 10 - Reserve Military Personnel End Strength**

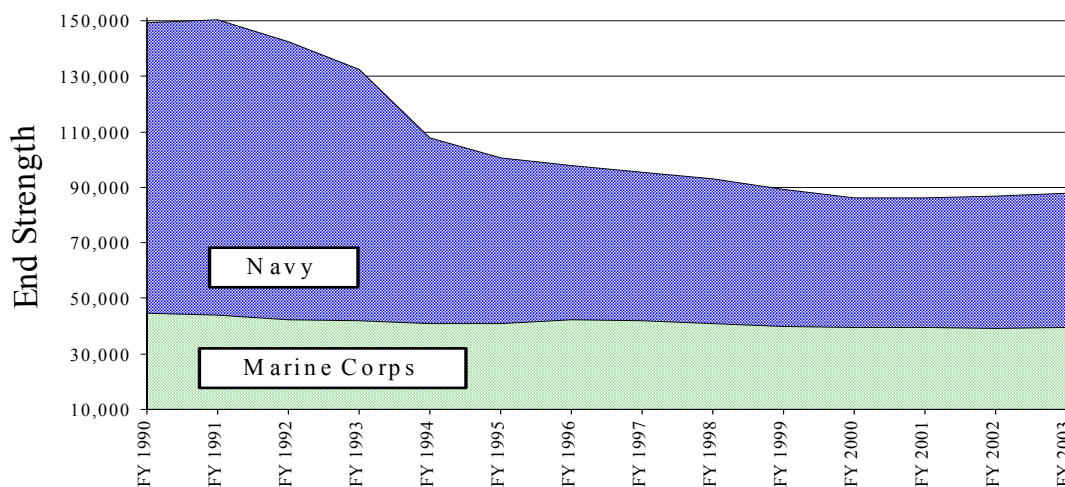


Chart 10 graphically reflects Navy and Marine Corps personnel strength from FY 1990 through FY 2003.

**Table 13****Department of the Navy****Reserve Navy Personnel**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
Drilling Reserve	73,341	71,489	73,228
Full Time Support	14,572	14,811	14,572
<b>Total: End Strength</b>	<b>87,913</b>	<b>86,300</b>	<b>87,800</b>

**Also refer to Appendix A for more information:**

Military Personnel, Navy

Reserve Personnel, Navy

**Table**

A-1

A-3

**Marine Corps**

This budget supports an end strength of 175,000 in FY 2003. This force structure permits the Marine Corps to establish a 4<sup>th</sup> Marine Expeditionary Brigade (MEB) to combat terrorism and fulfill their charter as a versatile expeditionary force-in-readiness, capable of rapidly responding to global contingencies.

Continued success in meeting goals for recruiting and retaining personnel to maintain the planned force level is anticipated, and enlistment and reenlistment bonus programs have been funded to help ensure success in meeting budgeted end strength levels. This budget also requests funding for approved initiatives such as Multiple Basic Allowance for Subsistence (BAS) rates.

<b>Recruiter Productivity (active and reserve)</b>			
	<b><u>FY 2001</u></b>	<b><u>FY 2002</u></b>	<b><u>FY 2003</u></b>
# of Recruiters	2,650	2,650	2,650
# of Recruits	36,777	39,134	41,138
# of Recruits per Recruiter	14	15	16
Size of DEP (Beginning of FY)	20,350	21,803	22,626

Chart 9 and Table 14 provides summary personnel end strength data for Military Personnel, Marine Corps.

**Table 14**  
**Department of the Navy**  
**Active Marine Corps Personnel**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
Officers	18,062	17,888	18,088
Enlisted	154,872	154,712	156,912
<b>Total: End Strength</b>	<b>172,934</b>	<b>172,600</b>	<b>175,000</b>
Enlisted Accessions	30,898	33,140	35,038
Percent High School Diploma Graduates	95%	95%	95%
Percent above average Armed Forces Qualification Test	63%	63%	63%
Reenlistments	13,830	13,646	13,646

	<b>Enlisted Retention Rates</b>			<b>Steady State Goal</b>
	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	
First Term	26.3%	26.5%	26.0%	25.0%
Second Term	59.5%	59.5%	61.0%	61.0%
Third Term	95.8%	95.6%	95.6%	95.6%

### ***Marine Corps Reserve***

This budget supports Marine Corps Reserve end strength of 39,558 in FY 2003. This end strength ensures availability of trained units to augment and reinforce the active forces, as well as providing manpower for a Marine Air-Ground Task Force Headquarters and Marine Forces Reserve (MARFORRES). The budget provides for pay and allowances for drilling Reservists attached to specific units, Individual Mobilization Augmentees (IMA's), personnel in the training pipeline, and full-time Active Reserve personnel. Consistent with the Marine Corps Active Component, bonus programs continue to be funded at levels required to meet recruiting and retention goals.

The Marine Corps Reserve requirements are reviewed continually to fully support the National Military Strategy. The Department remains committed to Reserve contributory support to enhance and complement the active force while maintaining unit readiness to meet crisis and security requirements.

Funding is also requested for approved Unified Legislation and Budgeting initiatives such as Multiple Basic Allowance for Subsistence (BAS) rates.

Chart 10 and Table 15 provides end strength data for the Reserve Personnel, Marine Corps account.

**Table 15****Department of the Navy****Reserve Marine Corps Personnel**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
Selected Marine Corps Reserves	37,542	37,297	37,297
Full Time Support	2,268	2,261	2,261
<b>Total: End Strength</b>	<b>39,810</b>	<b>39,558</b>	<b>39,558</b>

**Also refer to Appendix A for more information:**

Military Personnel, Marine Corps  
Reserve Personnel, Marine Corps

**Table**

A-2  
A-4